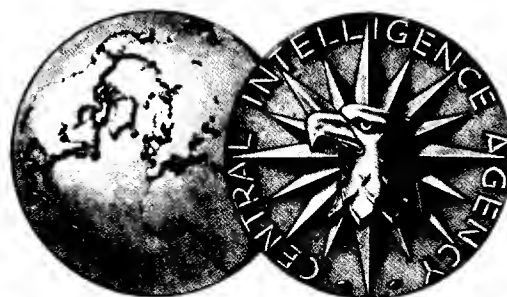


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# REVIEW OF THE WORLD SITUATION



CIA 5-49

Published 17 May 1949

**CENTRAL INTELLIGENCE AGENCY**

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## REVIEW OF THE WORLD SITUATION AS IT RELATES TO THE SECURITY OF THE UNITED STATES

### SUMMARY

1. The context of power relations in which the USSR has lifted the Berlin blockade and secured Western agreement to reconvene the CFM is such as to suggest that the USSR may intend to seek some sort of agreement. There is no evidence that necessity obliges the USSR to seek agreement. There are, however, elements in the situation to justify thinking that the USSR may desire agreement in order to pursue its long-term objectives by other methods.

Analysis finds two basic alternative courses before the USSR. The first is to enter negotiations solely in order to attempt to delay and confuse Western policy. The second is to enter negotiations with the intention of reaching an agreement that would:

a. At the minimum, remove Germany as a "bone of contention," while permitting the East-West struggle for the German potential to go on more slowly and through other channels.

b. At the maximum reach a *détente* with the West in Europe, in order to permit the fuller exploitation of opportunities elsewhere—especially in the Far East.

The first would be essentially a continuation of tactics that have already reached a point of diminishing returns. The second would constitute, not a change in fundamental objectives, but a genuine shift in the emphasis, timing, and direction of approach.

No firm conclusion can yet be drawn about a Soviet choice between these basic alternatives; but it is expected that the course of the negotiations will permit a judgment to be made. The logic of the situation suggests that the second alternative is the more likely to be developed.

2. There have been no significant changes in trends in the Far East, the Near East, or Latin America that require examination in relation to US security. Certain selected events, however, have been noted: (a) India remains a member of the Commonwealth; (b) the Greek guerrillas make peace proposals; and (c) Zaim's *coup* in Syria revives Arab disunity.

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Note: This review has not been coordinated with the intelligence organizations of the Departments of State, Army, Navy, and the Air Force. The information herein is as of 13 May 1949.

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## REVIEW OF THE WORLD SITUATION AS IT RELATES TO THE SECURITY OF THE UNITED STATES

### 1. GERMANY: BLOCKADE AND NEGOTIATIONS.

The situation created by the lifting of the Berlin blockade and by the agreement to reopen Four-Power negotiations on Germany is here examined in a broader context than that provided by the detailed issues that have accumulated around the German problem in the course of three and a half years. At least three such broader contexts can be identified. First, the global power relations and the respective power potentials of the US (and the West) and the USSR (and the East). Second, the over-all situation in Europe and its capacity to effect changes in the relative position and potentials of the West and the East. Third, the long-term importance, to both West and East, of controlling—or neutralizing—the potential of Central Europe (Germany and Austria).

#### *Broad Contexts Examined*

CIA 4-49, drawing up a balance sheet of the relative security positions of the US and the USSR, estimated that the global situation had slightly changed in favor of the US, primarily because of an improved position in Europe. It was further estimated, however, that the position in the Far East was definitely less favorable to the US. These estimates came at the end of a year in which the first phase of ERP was completed, a North Atlantic Defense Pact was negotiated, a military aid program was contemplated by the US, and Soviet plans for the consolidation and control of its orbit began to run into difficulties. During the same year, Chinese Communist forces brought about the collapse of Chiang Kai-shek's regime, and anti-colonial nationalist trends in Southeast Asia grew into serious political, economic and security problems.

At the start of this period, roughly December 1947, when the CFM (Conference of Foreign Ministers) in London broke down, the over-all picture was very different. Western Europe was then susceptible to an expansion of Communist influence. The moderate governments of France and Italy, in view of economic instability, industrial disorganization, and limited resources, seemed to have little more than an even chance of survival. Smaller states, though politically more sound, obviously sought neutral positions in a developing "cold war." The condition of the national economy of the UK left much to be desired in any calculation of a power balance. Western Germany still seemed likely to collapse economically in spite of heavy US subsidies. In the Far East, on the other hand, the Chinese Communists showed few signs of the knockout power they were to develop. Nationalist movements in Southeast Asia were still describable as the work of disaffected groups rather than as potent political trends.

In the context of 1947, the USSR, with very little evidence of an active US determination to restore Western Europe, had small interest in the maintenance of Four-Power harmony in Germany. Soviet policy for Europe as a whole and for Germany in particular called for little in the way of tactics except the obstruction of Western efforts to keep a bad situation from getting worse. Obstructionism and a readiness to exploit its

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consequences, working on an apparently well-defined drift toward political, economic and social confusion, might be presumed to be leading to Soviet hegemony in Europe.

However, a Western reaction to the state of affairs in Europe gradually developed under US stimulation; and, in addition, the long-anticipated economic crisis in the US did not appear. The strength of the reaction can be traced through the linked stages of ERP, the recession of Communist power in France and Italy, the reorganization of Western Germany, the growing integration of Western economic policy, the negotiation of the Atlantic Pact, plans for the rehabilitation of the military power of Western Europe, and the intention of establishing a West German federal government.

Initiative in the comprehensive competition for the potential of Western Europe was in danger of passing to the US. Soviet counter-measures began to be taken. The Satellite states were forced to refuse to participate in ERP. Communist-directed strikes, aimed at undermining the schedules for economic reconstruction, were initiated. A propaganda campaign against US "dollar diplomacy" was fully developed. These measures not only failed, but, by stimulating the West to increased efforts, actually began to create problems for the USSR within its own orbit.

While it is not likely that the USSR ever considered that the communization of Eastern Europe would be a pushover, it probably did not anticipate the difficulties that arose in 1948. When the Satellite states were cut off from participating in ERP, contrasts developed between the speed of economic reconstruction in the West and the slowness with which the communized economies of the Satellites were able to produce tangible benefits. Efforts to improve the situation by increasing Soviet controls and reorienting Satellite economies led to tensions which developed into nationalist deviations from the Cominform line.

The natural consequence of the breakdown of the CFM was a *de facto* partitioning of Germany. The West developed plans which would permit the ultimate integration of the Western Zones with a Western European system. The USSR developed plans which would permit the ultimate incorporation of the Eastern Zone in the Soviet orbit. As these plans developed, they began to produce a situation unfavorable to the Soviet interest. The USSR attempted to force a return to the *status quo ante* of unworkable Four-Power control. Pressure tactics were employed which finally resulted in the Berlin Blockade and the Air Lift. These actions completed the stalemate of US-USSR relations in Germany.

An essential factor in the situation was not, however, neutralized by this stalemate. An immense industrial and manpower potential still existed in Germany. The contest for the control of this potential underlay all the tactics, strategy, and tensions of US-USSR relations in Europe. The *de facto* partitioning of Germany primarily worked to bring this essential factor into sharper focus. The issue of ultimate control was more openly contested by political, economic, and psychological means. Short of actually using overwhelming force, however, the USSR now appeared to hold the weaker cards. Efforts to bring pressure to bear on the West, and the devices by which a firmer grip was taken on the Eastern Zone, perceptibly pushed the German people toward the West, if only as the lesser of two evils. Simultaneously, the success of the West in reviving the Western Zones acted as a supplementary pull. Finally, the Berlin Blockade

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and the Air Lift became, in German eyes, a test case of East-West strength. The test has now been interpreted—again by German feeling—as a victory for the West.

A direct consequence of the manner in which the contest for Central Europe developed has been the restoration of Germany to the strategic position it had previously occupied—that of an enormous potential lying between two power clusters, each of which seeks to attach this potential to itself, or alternatively to prevent its attachment to the other. The potential consequently becomes free to organize itself in its own interests. Germany has become a significant party to the problem of controlling German potential. While Germany obviously cannot at present take full advantage of being once more in this favorable position, opinion and policy in the states bordering Germany are hypersensitive to the possibilities inherent in it.\*

There is little room for doubting that the cumulative effects of these developments was to oblige the USSR to reappraise the situation, and to look back to the period of an unpartitioned Germany as having been more favorable to Soviet interests and to regard the CFM as a useful device for projecting Soviet influence. This is the frame of reference for the Soviet decision which made it both possible and necessary for the West to undertake negotiations once more.

*Soviet Timing*

It is considered that the Soviet decision arises more from choice than from necessity. While signs have appeared that restrictions on Western exports to the Soviet sphere were retarding plans for the economic development of the entire Bloc, there is no evidence which indicates an approaching crisis. While it is true that the Western counter-blockade of the Eastern Zone of Germany has aggravated deficiencies in the economy of that Zone, there is no evidence which suggests that anything more than a gradual economic retrogression was resulting. These difficulties are far from constituting the sort of pressures that might force the USSR to seek an accommodation with the West in order to reduce them at all costs.

On the political side, the USSR has lost ground in Germany in twelve months. Its efforts to organize a rump government for the Eastern Zone have led to nothing very convincing. Related efforts to organize para-military police *cadres* have been equally behind schedule. The facade of a People's State that has been made ready does not appear to represent an effective and reliable counterweight to the political advances of the West or a check on the adverse effects of Soviet methods on German opinion generally. Yet, in the political field too, no immediately compelling pressures can be observed. The most that can be noted is that the substantial progress made by the West in reactivating German potential has generated a trend which, in the long run, could be contrary to the Soviet interest.

The over-all situation in Europe, however, throws some light on the decision. By and large the West was beginning to restore the balance of power in continental Europe.

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\* This is as true for Poland and Czechoslovakia in the East as for France and the Benelux countries in the West. Its existence somewhat checks both the US and the USSR in developing courses of action which the logic of their power relations might suggest as desirable.

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In consequence, attention was increasingly being focused on Central Europe as the one unsettled item in the balance. The previously satisfactory stalemate which the USSR had created in this area could not be indefinitely maintained in the new circumstances that were developing.

It is, accordingly, judged that the USSR, still free to choose its time, called for a revival of Four-Power negotiations before the moment at which it was estimated the West might be irretrievably committed to the positive course on which it was started. It is noted, in this connection, that the Soviet proposals were initiated after it was clear that the Western Powers were determined to set up a West German state but before that determination had been converted into fact. It is further noted that a propaganda campaign, the "peace offensive," was well under way before the proposals were made. This campaign, though designed to counter the Atlantic Pact, could be used also to keep the West from evading negotiations on Germany by setting too high a price. Western public opinion, though skeptical of Soviet motives, was still susceptible to the notion that peace was desirable and might be found in accommodation. Currently, the "peace offensive" is being used in an effort to cancel any loss of prestige involved in the lifting of the Berlin Blockade.

The Soviet decision, especially since it was accompanied by a willingness to retreat from formerly held positions, suggests the existence of a new reading of the existing power situation. Some further progress can be made by analyzing the positions that the West has taken and from which it asserts it will not be moved, and by considering the alternative possible courses of action open to the USSR.

*The Position of the West*

With the abandonment of Four-Power controls in Germany, Western policy has been concerned with three objectives. These are:

1. To defeat the assumed Soviet objective of communizing Central Europe and opening the way to USSR hegemony.
2. To fit the German potential into the developing system of Western European states, while guarding against an ultimately superior German influence in that system.
3. To reactivate Germany politically and economically.

The steps taken to realize these objectives, taken in spite of the difficulties of securing adequate Allied agreement concerning them, have put the West into positions in Germany where concessions with respect to details can scarcely be made without endangering purposes that have been vigorously pursued over a considerable period of time.

It is, therefore, assumed that a West German state will be firmed up, that the USSR will not be permitted a voice in the Ruhr authority, that the level of German industry in the Western State will be unilaterally set by the Allied Powers, that reparations will not be given serious consideration and that the political machinery established for the West German state will be so designed as to prevent the Communists from gaining control by pseudo-parliamentary devices.

It is further assumed that the USSR, as far as the present negotiations are concerned, is under no significant illusion about the difficulty of attempting to break these

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positions down.\* This assumption leads to the possible alternative courses of action that may underlie the recent Soviet decision to seek to negotiate with the West.

#### *Soviet Alternative Courses*

Two obvious alternative courses of action are here listed and discussed. Each could be considered in several variant forms; but the discussion is confined to the basic pattern.

1. The USSR might enter the CFM simply with the intention of delaying the implementation of an already clearly indicated Western policy. No intent to reach agreement need exist, and concessions made in order to reconvene the CFM could be rescinded without essential prejudice to the general positions already established in a divided Germany.

This course of action would represent little more than the tail-end of a long-standing policy; namely, to prevent the consolidation of Western Germany and the reactivation of the potential of Western Germany as adjuncts of the power of the West.

The hopes of the USSR in this course may not yet be exhausted in spite of its plainly diminishing returns. Soviet proposals, designed to appeal to German desires for the withdrawal of occupation forces, a unified centrally governed state, and a peace treaty, might be made as one more effort to sow confusion in German political feeling and retard the progress of the West Germans toward a viable state long enough to throw Allied plans out of gear and to permit Allied differences sharply to develop.

However, it is estimated that the US (and the West) position has been firmly enough agreed and developed to check this conventional Soviet line. It is further estimated that the USSR appreciates the changed situation in Europe and is aware that its chances are slim of being permitted to engage in a long, devious, and inconclusive negotiation for no purpose but to confuse and delay. The possibility that Soviet policy is not fluid and still clings to established interpretations and methods must, however, be recognized.

2. The USSR might enter the CFM with the intention of reaching, as a minimum, an agreement that would remove Germany as a "bone of contention," while permitting the struggle for the ultimate control of German potential to proceed at other levels and by other channels; or, as a maximum, a *détente* with the West that would, by reducing tensions in Europe, permit a more concentrated exploitation of the opportunities that have apparently opened elsewhere in the world—especially in the Far East.

This course of action would imply that Soviet tactics to date have been written off as having failed to produce their intended results. It would further imply a decision to shift policy to the longer term and to seek its objectives by slower methods—the infiltration of Communist influence into the operations of a unified German state, and flank attacks on the power potential of Europe by way of the Near, Middle, and Far East.

The USSR, if preparing the ground for a policy shift of this order, might well make extensive concessions on existing issues; estimating that these issues would not be as

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\* The ability of the US, however, to maintain its over-all position throughout a negotiation is only as good as its ability concurrently to carry on persuasive talks with its Western Allies. Known and suspected differences are, therefore, continually open to probing and exploitation by the USSR, which is comparatively free from similar limitations.

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significant to long-term strategy as they have been to short-term tactics. This course of action, however, would have certain essential requirements. The USSR would have to seek to gain an economic *quid pro quo* that would permit a more rapid rate of industrialization. The USSR would have to feel certain that it could guard its Eastern European Satellites against Western democratic infiltration. The USSR would also have to seek a German state that it could hope to keep from firm alignment with the West, and a German Government in which the Communist Party could reasonably hope later to operate effectively.

A considerable degree of accommodation could be made before these limits were reached, and calculated risks might well be taken in the expectation that what was given away in the short-term could be taken back in the longer. The danger of a rapid restoration of Western European potential in consequence of a comprehensive *détente*, might presumably be balanced in Soviet calculations by the following considerations: (a) that the rate at which Soviet potential was being developed could be increased; (b) that the "inherent contradictions" of capitalist economy would ultimately reduce the effectiveness of the potential that Western Europe was recreating; and (c) that the fundamental balance of power in the world was being slowly altered in the Soviet favor by an effective development of Soviet policy in Asia.

This course of action would imply—not a change of fundamental Soviet objectives—but a genuine shift in the emphasis, direction, and timing of the Soviet approach to these objectives. Essentially it would suggest that a conclusion had been reached that the short-term opportunities in Europe were for the moment being exhausted but that the long-term opportunities in Asia were becoming ripe for the picking.

If this course should be developed, it will probably be combined with the appeals to German opinion noted earlier. In this connection, however, these appeals would be designed to force the West to outbid the USSR for German support rather than to address itself directly to Soviet proposals. The intent would be to secure a form of German State and political machinery more satisfactory to the USSR by putting the West under the necessity of accommodating itself to German feeling. The Western position, admirably fitted to come out ahead in a negotiation where agreement is not being sought, can only with difficulty be adjusted to meet the type of problem presented by a negotiation in which agreement is intended. The West would find it hard to refuse agreement, if concessions to its present position were freely made, even though it had clearly identified the Soviet purposes for wishing agreement. The pressure of Western public opinion to accept the immediate practical comforts of an agreement on Germany or a genuine *détente* in Europe might complicate negotiations for the West. Support could not easily be developed for dealing effectively with security problems remotely developing in Asia or concealed in the apparent confusions of domestic German politics.\*

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\* It is noted that this introduces the probability of German opinion becoming a target of competitive bids for the future alignment of a German state. This would bring the question of French security decisively into the councils of the West and weaken the capacity of the West to engage effectively in such a competition.

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*Conclusions*

There is no evidence available at present to justify a firm conclusion with respect to a basic Soviet choice between these alternatives. It is to be expected, however, that the negotiations themselves will gradually permit a judgment to be made. Possible clues may be found in the actual worth of the concessions proposed and in the speed with which the USSR permits the negotiation to move toward tangible agreements.

It is considered that the tactics applicable to the first alternative may be used as an initial device for probing Western intentions and testing their firmness. It is also possible, if the Western price for agreement is so high as to spoil a calculated risk, that the adoption of the first alternative may be forced by default.

But, in the absence of special pressures within the Soviet system forcing the USSR to seek agreement, the logic of the situation suggests that the USSR is choosing to seek agreement, and that the second alternative is the one more likely to be developed.

In the context of the global power situation, the real issue before the CFM is not the settlement of Germany, but the long-term control of German power. If the CFM is able to avoid the real issue, it may arrive at patched-up, temporary solutions for the secondary problems. However, none of the parties to the negotiations, including the unrepresented Germans, will overlook the long-term question of who is going to control German potential and thus hold the balance of power in Europe. Agreement on Germany, or a *détente* in Europe primarily means that time is being taken to build up strength and to maneuver for positions elsewhere.

## 2. THE FAR EAST.

There have been no significant changes in the general trend in the Far East. The problems that have been created for US security are continuing to expand under the impact of numerous detailed events; but there has been no definite speeding up of admittedly unfavorable developments.

At two points only have signs begun to appear to suggest that more favorable positions might be developed in the course of time. One of these, India, is discussed in para. 3 below. The other is Indonesia, where the Dutch and Republicans have reached preliminary agreements on the restoration of the Republican administration and on issuance of a cease-fire order. Prospects for an eventual settlement appear to be better at this time than they have during the past year.

In China, the methodical Communist conquest of the Yangtze Valley is proceeding. Shanghai, though it can presumably be occupied whenever desired, will probably be left as it is for the time being. Trouble is to be expected as food and other shortages develop in the isolated city; but this will add little to the basic US problem. The Nationalist ranks continue to fall apart. Chiang Kai-shek is concentrating his efforts on strengthening Taiwan as his last retreat. Li Tsung-jen is trying to obtain recognition of his supreme authority in the crumbling National Government while at the same time preparing to fall back to his native province of Kwangsi. Autonomous

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movements are under way in the southwest and northwest provinces. The most pressing current problem for the US and other foreign powers is that of deciding the nature of their future diplomatic and commercial relations with the new regime which the Communists will certainly establish within the next few months. With respect to Hong Kong the UK has expressed its determination to defend that Crown Colony and has recently dispatched reinforcements.

The French military position in Indochina has become increasingly tenuous because of intensified guerrilla activity, particularly in the Sino-Tonkinese border region. Meanwhile continued French political control in Indochina is dependent upon former Emperor Bao Dai's ability to rally non-Communist elements to a new government and even more on the ability of the French Government to make liberal enough concessions to attract these elements. In Siam, political tension is mounting again. After making full allowance for the fact that the Siamese Government tries to capitalize on Western fears of Communism in order to get military and economic aid, it is evident that Chinese Communist successes are now genuinely regarded in Siam as a growing threat to Siamese security. The situation in Burma remains as anarchic as before. While the number and intensity of terrorist incidents in Malaya have declined during the last few months, Britain's security problem remains serious and there is no reason for long-range optimism.

### 3. UK-COMMONWEALTH-INDIA.

The basis for a more realistic pattern of relations between the West and Asiatic nationalism has been provided by the recent Commonwealth Conference. The basis of cooperation devised by the Conference very properly ignored logic and precision in order to adjust the useful tradition of Commonwealth association to present political and strategic realities. It is of considerable importance in establishing a global balance of power that India is enabled to continue a member of the Commonwealth while remaining free to pursue its aspirations as a republic.

The linking of India with states, some of which are involved in supporting the US interest in Western Europe and others concerned in the US interest in the Far East, is of considerable value to US security. India, as the major coherent center of power at present existing in Asia, can on this basis come into working conjunction with the potential of the West.

The atmosphere of good will in which the basis of cooperation was worked out is an immediately valuable fact. Complementary interests were apparently so clearly understood that other considerations became irrelevant. The Indian interest in keeping Western military and industrial potential and technical competence related to the problem of realizing Indian aspirations was realistically balanced by the US-UK interest in having in Asia a locally powerful supporter speaking with a native voice. The development of these complementary interests into firm political, economic, and strategic cooperation obviously calls for time and tact; but the present situation should gradually add up to an improved security position for the US on, at least, the South Asiatic littoral.

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## 4. NEAR EAST.

The general situation in the Near East has undergone no significant change. Such events as deserve notice are of local concern and, for the present, have little or no relation to the larger and more pressing security issues now before the US.

The only possible exception to be noted is the bid for peace negotiations which the Greek guerrillas have made to President Evatt of the UN General Assembly. This may be designed to reinforce the over-all Soviet "peace offensive," and, if so, may be part of a broad adjustment to the situation analyzed in para. 1 above. On the other hand, there has never been a complete lull in guerrilla peace propaganda since the start of the year. At this moment, however, the guerrilla peace proposals may hit world opinion, much of which is ill-informed about the situation in Greece, with some effect. Certainly, the approach to Evatt was a smart move. He has displayed a tendency to rush towards opportunities to be a "Balkan Conciliator," in spite of lacking an adequate background; and he may be pulled into discussions which would by-pass the Greek Government with serious consequences for Greek morale and for the position of the West in Greece. The present proposal has been accompanied by a new major guerrilla offensive, by preparation for further activity, and by strenuous efforts to strengthen the Communist underground and to increase activities in the trade unions.

Turkey is still busy adjusting itself to its exclusion from the Atlantic Pact. The Foreign Minister has been in the US to discuss Turkey's security problems. He has been given reassurances of a firm US interest but no commitments that the US would enter a contractual security arrangement with Turkey. Requests for additional financial aid were channelled to ECA by way of OEEC. Opposition elements in Turkey will undoubtedly stress that the government has failed in its attempt to get a firm US commitment. However, the critics have nothing better to propose. The Foreign Minister proposes to visit Bevin in London on his way back to Turkey. It is possible that he may suggest some revisions of the Anglo-French-Turkish Treaty of 1939, which can be construed as a sort of security link for Turkey, by way of the UK and France, with the North Atlantic Treaty states.

The relations of Israel and the Arab states remain essentially stalemated in their armistice form. Israel's claims are being more cold-bloodedly examined by the Western world, even though Israel has become a member of the UN. The Arabs, largely as a result of the inter-Arab reactions to Zaim's *coup* in Syria, have lost all clarity of policy toward the Palestine issue.

Zaim's coup has had repercussions throughout the Arab world. The first reaction was alarm at the spectacle of a constitutional government being overthrown by force. When, however, the Syrian people accepted Zaim, although without enthusiasm, the leaders of other states began to vie with each other for his support. Iraq and Trans-jordan have tried to draw him into the Greater Syria camp. Egypt and Saudi Arabia have tried to persuade him to resist these Hashemite blandishments. The old problem of the balance of power among the Arab states came out of the cupboard in which the Arab League had shut it up. A rash of visits, counter-visits, notes, consultations, and conversations broke out. Zaim finally emerged with recognitions from Egypt,

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Saudi Arabia, and Lebanon; repudiated the Greater Syrian project; and declared his support of the Arab League. By this time, the Arab world was becoming alarmed at its own disunity, remembering that a peace with Israel was still to be achieved. Consequently, "discussions" have begun between Egypt and Transjordan to try to find some common ground again. In short, Arab relations are very much running in their normal channels.

As a footnote to this, neither Israel nor the Arab states appear to have much faith in one another's peaceful intentions. All are attempting to strengthen their military forces; but the Arab states also seem to have an eye fixed on inter-Arab animosities as they think of military equipment.

There have been some indications of a temporary let-up in Soviet pressure on Iran, coincidental with the departure of the Soviet Ambassador for consultation—an event that has produced a crop of rumors. Iranian leaders, although not immediately apprehensive of the Soviet menace, are calling for aid from the US in quantities comparable with that being given to Turkey. There is no indication that the attitude toward the USSR will be reversed.

5. LATIN AMERICA.

The Latin American states are watching with interest the developments following the lifting of the Berlin blockade. None of these states have illusions regarding the long-term motives of the USSR, but they hope that any relief in the tension between the US and the USSR may permit the US to pay more attention to the problems of the Western Hemisphere. Within the Hemisphere, inter-American antagonisms have been reduced. The quarrel between Peru and Colombia over the case of Haya no longer is critical; Uruguay's threat to prefer charges before the UN against Venezuela regarding the treatment of political prisoners is unlikely to materialize; and the potentially troublesome Havana meeting on Dependent Territories was conducted with reasonable restraint. The most serious and perhaps the most pressing situation in the area is that of Argentina where domestic economic problems, dropping world prices, and government bungling could very well have adverse effects upon that country's political stability.

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